



WEEKLY ECONOMIC DIGEST

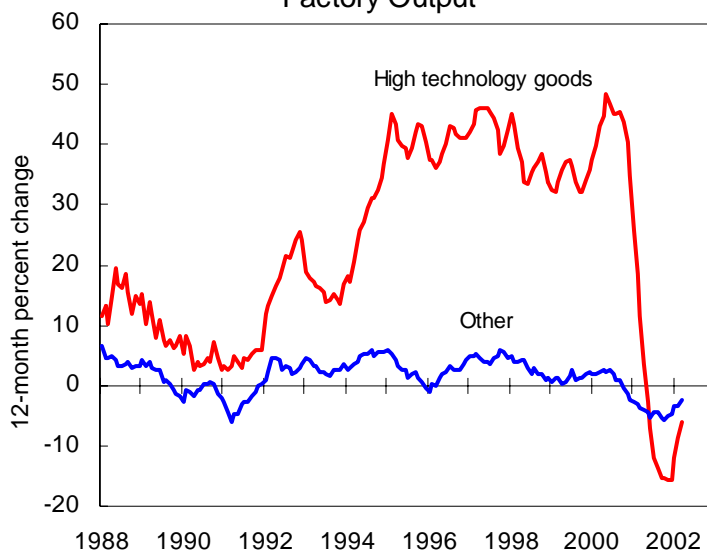


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – VICE CHAIRMAN

April 23, 2002

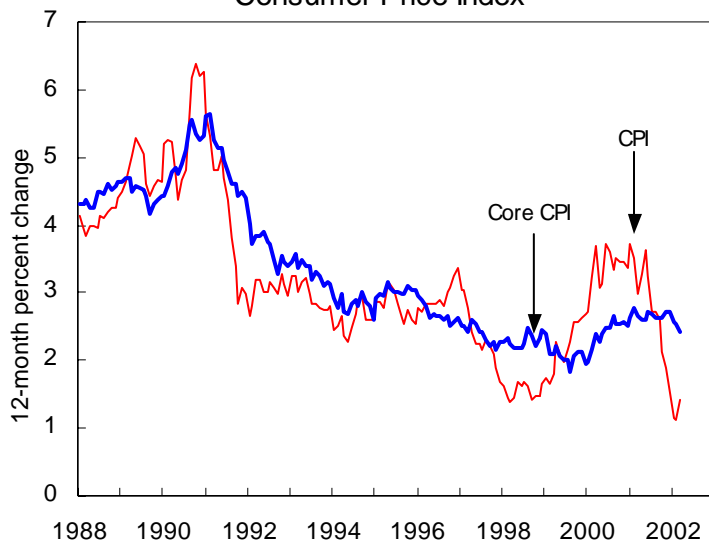
Production Surged But Unemployment Claims Remain High

Factory Output



Source: Board of Governors, Federal Reserve System.

Consumer Price Index



Source: Bureau of Labor Statistics.

- **Industrial output rose sharply in March.** Overall industrial production rose by 0.7 percent last month, the largest advance since May 2000. Factory output surged by 0.8 percent in March, although it remained 2.9 percent below the level that prevailed a year earlier. Almost all sectors experienced gains last month. Production of high-technology items rose sharply and, for the first time in 18 months, output of communications equipment rose (1.7 percent). Defense-related production rose by a robust 1.1 percent. A 3.2 percent decline in the production of transit equipment limited the rise in production of business equipment to 0.1 percent in March.
- **As the economy strengthened, the trade deficit widened.** The U.S. trade deficit grew by \$3.3 billion to \$31.5 billion in February (the last month for which data are available). Imports of goods and services rose by more than did exports, reflecting an improvement in the U.S. economy relative to those of our major trading partners.
- **Core consumer price inflation barely changed in March.** The consumer price index rose by 0.3 percent in March, but that increase was mostly due to sharp increases in energy prices. The core rate of inflation (which excludes the effects of changes in food and energy prices) rose a mere 0.1 percent, to a level 2.4 percent above its level in March 2001.
- **New jobless claims continued to rise.** Initial claims for unemployment insurance (UI) have continued to rise in recent weeks: over the four weeks ending April 13, new jobless claims have averaged 448,750. To some extent, that rise stems from the availability (beginning in March) of extended UI benefits. However, the number of ongoing claims has continued to rise, reaching nearly 3.8 million in the first week of this month, a level well above what would be consistent with overall job creation.

Economy At A Glance	Mar	Feb	Jan	Dec	2002 Qtr 1	2001 Qtr 4	2001 Qtr 3	2001 Qtr 2	2001	2000
Economic Activity										
Real GDP (% growth)*						1.7	-1.3	0.3	1.2	4.1
Industrial Production (% growth)	8.7	3.7	6.2	-4.7	2.5	-6.7	-4.7	-5.9	-3.9	4.5
Capacity Utilization (Level, %)	75.4	74.9	74.7	74.4	75.0	74.7	76.2	77.4	76.8	81.8
Civilian Unemployment Rate (Level, %)	5.7	5.5	5.6	5.8	5.6	5.6	4.8	4.5	4.8	4.0
Housing Starts (Thousands)	1646	1785	1713	1602	1714	1579	1601	1623	1603	1569
Real Disposable Personal Income (% growth)*		6.7	22.4	4.6		-8.1	12.3	2.4	3.6	3.5
Retail Sales (% growth)	2.6	2.5	-1.8	2.9	-3.1	12.3	-1.3	5.5	3.5	7.6
Personal Saving Rate (Level, %)*		2.0	1.9	0.6		0.4	3.8	1.1	1.6	1.0
Inflation & Productivity										
CPI-U Inflation, All Items (% growth)	3.7	2.4	2.4	-1.2	1.4	-0.3	0.7	3.1	2.8	3.4
Core CPI-U Inflation (% growth)	1.2	3.7	2.4	1.2	2.3	2.7	2.7	2.4	2.7	2.4
Compensation per Hour (% growth)*						4.1	3.6	4.1	4.1	4.4
Output per Hour (% growth)						5.2	1.1	2.1	1.9	3.3
Financial Markets										
T-Bill Rate, 3-month (Level, %)	1.8	1.7	1.7	1.7	1.7	1.9	3.2	3.7	3.4	5.8
T-Note Rate, 10-years (Level, %)	5.3	4.9	5.0	5.1	5.1	4.8	5.0	5.3	5.0	6.0
Federal Funds Rate (Level, %)	1.7	1.7	1.7	1.8	1.7	2.1	3.5	4.3	3.9	6.2
Dow Jones Industrial Avg (Index Level)	10501	9891	9924	9980	10105	9641	9934	10669	10189	10735

Sources: Bureau of Economic Analysis, US Department of Commerce; US Bureau of the Census; Board of Governors of the Federal Reserve System; Bureau of Labor Statistics, US Department of Labor; and, Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. Compensation is the Employment Cost Index for workers in private industry. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

* Subject to revision this week.

Major Economic News Due Next Week:

- **Employment Cost Index, First-quarter 2002** [Release: Thursday, April 25, 2002]
- **Gross Domestic Product, First-quarter 2002 (Advance)** [Release: Friday, April 26, 2002]
- **Personal Income, March** [Release: Monday, April 29, 2002]